

Message Text

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ACTION DOE-15

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R 172100Z JUL 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 4871
INFO ALL OECD CAPITALS
AMEMBASSY JIDDA
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AMEMBASSY MOSCOW
AMEMBASSY TEHRAN
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E.O. 11652: N/A
TAGS: ENRG, FR
SUBJECT: ENERGY-PRESS REPORT ON CHANGE IN FRENCH OIL
POLICY

REF: STATE 166981 (NOTAL)

1. BEGIN SUMMARY: IN RESPONSE TO REFTTEL, DISCUSSIONS
HELD WITH SEVERAL GOF AND INDUSTRY SOURCES REVEAL NO
RPT NO BASIC CHANGES IN FRENCH OIL IMPORT POLICY.
ACQUISITIONS WILL CONTINUE TO BE MADE FROM DIVERSE
SOURCES AS IN THE CURRENT PATTERN. WHILE THE GOF CAN
BE EXPECTED TO SEARCH FOR AND EXPLOIT TACTICAL ADVAN-
TAGES OF THE OCCASIONAL BARTER TRANSACTION OR OTHER
DEAL SEEMING TO OFFER POSSIBILITIES FOR FRENCH
INDUSTRIAL AND MANUFACTURED GOODS, THE FEASIBILITY OF
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SUCH AN APPROACH REMAINS LIMITED BY WHAT THE GOF SEES
AS AN OVERRIDING STRATEGIC NECESSITY OF MAINTAINING
A VARIED SPREAD OF FOREIGN OIL SUPPLIERS, REGARDLESS
OF THE VERY LIMITED IMPORT POTENTIAL SEEN IN SEVERAL
OF THESE COUNTRIES. OFFICIAL FRENCH GOVERNMENT SUPPORT
FOR DEEP-SEA OIL EXPLORATION AND ENHANCED RECOVERY
IS CURRENTLY LIMITED TO ONE HUNDRED MILLION FRANCS/YR

ADMINISTERED THROUGH AN R&D FUND FOR TECHNICAL STUDIES. MOVES ARE ON TO INCREASE THIS AMOUNT. WE ARE TOLD THAT, PARTICULARLY IN VIEW OF EC STRICTURES, RISK-FINANCING AND OTHER DIRECT GOVERNMENT FINANCIAL ASSISTANCE IS NOT GIVEN IN SUPPORT OF THE COMMERCIAL ACTIVITIES OF FRENCH OIL FIRMS. HOWEVER, CFP AND ELF/AQUITAINE ARE CURRENTLY COMPLAINING OF AN INSUFFICIENCY OF INVESTMENT CAPITAL FOR EXPLORATION AND NEW PRODUCTION AND REFINING. BOTH OF THESE COMPANIES VIEW THE GOF AS A PRINCIPAL STOCKHOLDER -- ONE WHO SHOULD BE INTERESTED IN HELPING THEM FINANCIALLY TO MEET THEIR "NATIONAL RESPONSIBILITIES." PRESSURE FOR STATE AID IS MOUNTING, AND THE MINISTER OF INDUSTRY IS AS SENSITIVE TO THE PRESSURE AS HE IS TO THE DESIRES OF THE MANUFACTURING AND INDUSTRIAL SECTORS WHO CHERISH THE THOUGHT OF EXPORTING TO OIL PRODUCING STATES PRODUCTS EQUAL IN VALUE TO THE APPROXIMATE 58 BILLION FRANCS OF FOREIGN PETROLEUM THAT WILL BE IMPORTED INTO FRANCE THIS YEAR. NEVERTHELESS, OUR SOURCES TELL US EC CONSTRAINTS AND FRANCE'S POLICY OF MAINTANING DIVERSIFIED SOURCES FOR OIL PURCHASES WILL CONTINUE TO TEMPER THE GOVERNMENT'S RESPONSES TO THESE PRESSURES.

END SUMMARY

2. AS FAR AS WE KNOW, THE DOELNITZ ARTICLE CITED IN REFTEL HAS NOT APPEARED IN FRANCE. WE HAVE, LIMITED OFFICIAL USE

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HOWEVER, DISCUSSED WITH SEVERAL GOF AND INDUSTRY SOURCES THE QUESTION OF AN INDUSTRY MINISTRY-SUPPORTED CHANGE IN FRENCH OIL POLICY LINKING CRUDE OIL IMPORTS TO EXPORTS OF MANUFACTURED GOODS AND ALSO PROVIDING DIRECT GOVERNMENT FINANCIAL ASSISTANCE TO FRENCH DEEP-SEA EXPLORATION EFFORTS AND ENHANCED RECOVERY PROGRAMS.

3. THESE DISCUSSIONS REVEAL THAT THERE ARE NO BASIC CHANGES ABOUT TO TAKE PLACE WITH RESPECT TO FRENCH OIL IMPORT POLICY. ITS RELATION TO COMMERCIAL EXPORT POLICY IS REVIEWED THREE OR FOUR TIMES PER YEAR BY A SPECIAL INTERMINISTERIAL COMMITTEE COMPRISED OF THE MINISTERS OF INDUSTRY, FOREIGN AFFAIRS, AND FOREIGN TRADE. HOWEVER, OUR SOURCES STRESS THAT ONE OF THE THREE MAJOR TENETS OF FRENCH ENERGY PLANNING REMAINS THAT THE SOURCES OF NECESSARY FOREIGN HYDROCARBON ACQUISITIONS WILL BE DIVERSIFIED. (THE OTHER TWO: CONSERVATION AND MAXIMUM DEVELOPMENT OF SOURCES OVER WHICH THERE IS FULL NATIONAL CONTROL, VIZ: NUCLEAR.) THIS DIVERSIFICATION IS A STRATEGIC NECESSITY, AND IT WILL BE MAINTANINED LARGELY IRRESPECTIVE OF FRANCE'S BILATERAL TRADE ACCOUNTS WITH INDIVIDUAL SUPPLIERS.

4. OUR SOURCES CONTINUE THAT THE GOF WILL, WITHIN THE
FRAMEWORK OF ITS CONSTANT EFFORT TO PROMOTE FRENCH
EXPORTS, NATURALLY CONTINUE TO SEARCH FOR AND EXPLOIT

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THE TACTICAL COMMERCIAL ADVANTAGES TO BE FOUND IN BARTER
TRANSACTIONS OR OTHER DEALS SEEMING TO OFFER POSSIBILI-
TIES FOR INCREASED SALES OF FRENCH INDUSTRIAL AND
MANUFACTURED GOODS. THE FRENCH REALIZE, HOWEVER, THAT
ONLY A SMALL SEGMENT OF THE WORLD OIL MARKET IS GOING
TO BE DEVOTED TO BARTER AND THAT THE REALIZATION OF
SUCH TRANSACTIONS WILL BE OCCASIONAL AT BEST. THEY
WILL ALSO PROBABLY BE MADDENINGLY CUMBERSOME TO ADMIN-
ISTER, GIVEN THE AMOUNTS OF FLOATING-RATE CURRENCY
CALCULATIONS INVOLVED, ESCALATOR CLAUSES IN INDUSTRIAL
SUPPLY CONTRACTS, AND OIL PRICE CHANGES, ETC. -- ALL OF
WHICH WILL WORK TO CONFUSE THE ISSUE OF EXACTLY WHO
OWES WHAT TO WHOM, AND WHEN.

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5. OUR CONTACTS WITHIN THE MINISTRY OF INDUSTRY ITSELF ARE VERY REALISTIC ON THIS SCORE. THEY EXPECT MINISTER GIRAUD TO BE AT THE FOREFRONT OF THOSE PROPOSING SUGGESTIONS INTENDED TO MAXIMIZE, "WITHIN THE FRAMEWORK OF OUR ADMITTED WEAKNESS" THE SALE OF FRENCH INDUSTRIALS AND MANUFACTURES TO OIL PRODUCING STATES THROUGH AGGRESSIVE MARKET PENETRATION TACTICS, INCLUDING BARTER. NEVERTHELESS, THEY INSIST FRANCE WILL CLING TO ITS INDICATIVE PLANNING TARGET OF SPENDING NO MORE THAN 58 BILLION FRANCS ON OIL IMPORTS THIS YEAR AND HEDGE FOR POLITICAL UPS AND DOWNS BY MAINTAINING DIVERSIFIED SOURCES OF SUPPLY. GIVEN THE COUNTRY'S VIRTUALLY COMPLETE IMPORT DEPENDENCY, WE HAVE SPECIFICALLY BEEN TOLD NOT TO EXPECT SHIFTS IN OIL ACQUISITION PATTERNS AWAY FROM OIL PRODUCERS CONSTITUTING SMALLER MARKETS TO THOSE PRESENTING POTENTIALLY LARGER MARKETS FOR FRENCH EXPORTS. SAUDI ARABIA AND THE UAE, WHICH USUALLY SUPPLY 35 TO 40 PERCENT OF FRANCE'S OIL NEEDS, WERE MENTIONED AS EXAMPLES OF THE FORMER, AND THE SOVIET UNION AND IRAN AS EXAMPLES OF THE LATTER.

6. WITH REGARD TO FRENCH GOVERNMENT PARTICIPATION IN RISK-FINANCING OF DEEP-SEA EXPLORATION AND DEVELOPMENT AND ENHANCED RECOVERY PROGRAMS, WHICH WERE ALSO REPORTED IN DOELNITZ ARTICLE, OUR SOURCES SAY THAT VENTURE-CAPITAL SUPPORT OF THIS SORT IS NOT PERMITTED WITHIN THE FRAMEWORK OF EC COMMERCIAL POLICY AND THAT THE GOF IS NOT GIVING SUCH ASSISTANCE TO THE COMMERCIAL ACTIVITIES OF FRENCH OIL FIRMS. THEY SAY THAT OFFICIAL FRENCH GOVERNMENT SUPPORT FOR DEEP-SEA OIL EXPLORATION AND ENHANCED RECOVERY IS CURRENTLY LIMITED TO R&D WORK SUCH AS THE PILOT/DEMONSTRATION PROJECTS BEING

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CARRIED OUT BY THE INSTITUT FRANCAIS DU PETROL AND FINANCED BY THE FOND SOUTIEN DES HYDROCARBURES. THIS FUND IS BUDGETED AT ONE HUNDRED MILLION FRANCS/YR, A SUM WHICH OUR SOURCES SAY IS WOEFULLY INADEQUATE, AND WHICH MINISTER GIRAUD IS TAKING STEPS TO HAVE AUGMENTED.

7. FURTHER, VIRTUALLY ALL GOF AND OIL COMPANY SOURCES

WITH WHOM WE HAVE RAISED THIS SUBJECT STRESS THE HIGH PRIORITY WHICH MUST NOW BE GIVEN OFFSHORE EXPLORATION AND ENHANCED RECOVERY PROGRAMS. RECENT MONTHS HAVE SEEN THE FRENCH PRESS AND PETROLEUM INDUSTRY JOURNALS SWAMPED WITH CFP AND ELF/AQUITAINE COMPLAINTS ABOUT AN INSUFFICIENCY OF INVESTMENT CAPITAL FOR EXPLORATION, NEW PRODUCTION, AND UPDATED REFINING FACILITIES. BOTH OF THESE CORPORATIONS VIEW THE GOF AS A PRINCIPAL

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STOCKHOLDER (35 PERCENT OF CFP AND 70 PERCENT OF ELF/AQUITAINE) IN WHOSE INTEREST AND CAPABILITY IT CLEARLY IS TO HELP THEM FINANCIALLY TO MEET THEIR "NATIONAL RESPONSIBILITIES." THESE HAVE BEEN ASSIGNED BY GOF ECONOMIC PLANNERS WHO HOPE TO REDUCE THE NATIONAL DEPENDENCE UPON FOREIGN OIL COMPANIES.

8. AS THE PRESSURE FOR OIL IMPORT/INDUSTRIAL EXPORT LINKAGES AND STATE AID TO FRENCH INTERNATIONAL OIL

COMPANIES MOUNTS, MINISTER GIRAUD AND HIS STAFF WILL
NATURALLY RESPOND WITH PLANS AND SUGGESTIONS SUCH AS
THOSE REPORTED BY DOELNITZ. WE CAN NOT PREDICT FUTURE
FRENCH OIL POLICY WITH CERTAINTY. INDUSTRIAL INTERESTS
HERE CHERISH THE THOUGHT OF EXPORTING MORE TO OIL
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PRODUCING STATES, JUST AS FRENCH OIL COMPANIES HOPE TO
TAP GOVERNMENT CAPITAL RESOURCES TO HELP THEIR EXPEN-
SIVE EXPLORATION AND DEVELOPMENT PROGRAMS. NEVERTHELESS
THE CONSENSUS FOR NOW IS THAT EC CONSTRAINTS AND THE
PERCEIVED STRATEGIC EXIGENCIES OF DIVERSIFIED SOURCES
FOR OIL PURCHASES WILL CONTINUE TO TEMPER THE GOVERN-
MENTS RESPONSES TO THESE DOMESTIC PRESSURES.
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